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UNCLAS KINGSTON 000398

SIPDIS

STATE FOR WHA/CAR/ (WBENT), WHA/EPSC (JSLATTERY)

SANTO DOMINGO FOR FCS AND FAS

TREASURY FOR L LAMONICA

E.O. 12958: NA

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SUBJECT: GOJ Raises National Minimum Wage

1. After months of deliberation, the GOJ has raised the national minimum wage by 20 percent, the highest increase since 2001. The adjustment, which took effect on January 31, will see affected workers taking home the equivalent of at least USD 40 per week, up from USD 33. With inflation for 2004 ending at 14.1 percent, this raise of 20 percent represents a real increase of 5.9 percent. The minimum wage, which was last increased in November 2003, now puts affected workers above the income tax threshold. However, to remedy the situation the GOJ has instructed employers not to deduct taxes from employees whose earnings are at the minimum wage level.

2. The minimum wage increase was surprising, as it surpassed recommendations made by the major stakeholders to the Minimum Wage Advisory Commission, the body designated by the GOJ to review the minimum wage. While the Jamaica Household Workers Association had lobbied for a 50 percent increase, the Jamaica Employers Federation (JEF), the Planning Institute of Jamaica (PIOJ) and trade unions had proposed increases of three percent, 11 percent and 14.1 percent, respectively. The GOJ had traditionally accepted recommendations made by the PIOJ, as its submission is generally based on technical considerations, including the impact on productivity, inflation, employers' ability to pay and the amount of income required to meet basic needs.

3. The government's decision has drawn mixed responses from stakeholders. Dwight Nelson, President of the Jamaica Confederation of Trade Unions, said that he was happy the GOJ had given due consideration to minimum wage earners. However, Jacqueline Coke-Lloyd, executive director of the JEF, expressed surprise at the level of increase. She stated that the GOJ has shown scant regard for most of the recommendations and was not concerned about employers. Coke-Lloyd also suggested that the increase would have a negative impact on employment.

4. Comment: While the new minimum wage will have an impact on cost, the impact of the increase seems to be overstated by Coke-Lloyd since most employers generally pay well above the minimum wage. End Comment.

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